



QJA/SS/MIRSD/MIRSD-SEC-3/32148/2025-26

**SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER**

**UNDER SECTION 12(3) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH REGULATION 27 OF THE SECURITIES AND EXCHANGE
BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008**

In respect of:

Motisons Shares Limited
(formerly known as Motisons Shares Private Limited)

SEBI Registration No. : INZ000191336

PAN : AAECM3530C

Background

1. Motisons Shares Limited (*hereinafter also referred as 'the Noticee'*) is a member of the BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE'). The Noticee is also registered with SEBI as a stock broker (having registration number INZ000191336) in the equity derivate, currency derivative and interest rate derivate segments of BSE and NSE and in commodity derivative segment of BSE, NSE and National Commodity & Derivatives Exchange Ltd.(NCDEX) and Multi Commodity Exchange of India Ltd.(MCX). The Noticee is also a clearing member registered with Indian Clearing Corporation Limited ('ICCL') and NSE Clearing Limited (NCL) and a depository participant registered with the Central Depository Services (India) Limited ('CDSL') and the National Securities Depository Limited ('NSDL').

Inspection/s and Adjudication.

2. SEBI had carried out a joint inspection alongwith BSE and NSE for the period from April 1, 2021 to August 31, 2022 (**'Inspection 1'**). SEBI also carried a limited purpose inspection for the period from April 1, 2023 to June 30, 2024 (**'Inspection**

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- 2'). Based on these inspections, SEBI initiated two proceedings against the Noticee viz one, the adjudication proceedings under section 15I and the other under Section 12(3) of the SEBI Act read with SEBI (Intermediaries) Regulations, 2008 (Intermediaries Regulations).
3. An Officer of SEBI was appointed by it as the Adjudicating Officer (AO) for adjudication under section 15I and also for conducting proceedings in accordance with Intermediaries Regulations. The officer so appointed, passed an Order dated August 12, 2025 levying a penalty of Rupees Twelve (12) Lakhs on the Noticee based on conclusive findings.

Report of the Designated Authority.

4. The said officer acting as the Designated Authority (DA) submitted an enquiry report ("Report") on the same date to SEBI in accordance with the provisions of the Intermediaries Regulations recommending that the Noticee *be prohibited from taking any new assignment or contract or launching a new scheme in so far as may be applicable to the Noticee as a SEBI registered Stock broker for a period of 15 days in terms of Regulation 26(1)(iv) of the Intermediaries Regulations.*

SCN, Reply and Hearing.

5. The instant proceedings have commenced pursuant to the above Report and consequent Show Cause Notice ("SCN") dated September 3, 2025 as required under the Intermediaries Regulations.
6. The Noticee submitted its reply vide letter dated October 18, 2025 and also availed the opportunity of personal hearing on November 3, 2025 when its Authorised Representatives (ARs) Dr. Keyur Shah, Advocate and Meit Shah i/b Prakash Shah & Associates appeared on its behalf and made oral submissions in line with the reply. The Noticee has also made post-hearing submissions vide letter dated November 4, 2025.



7. The Noticee, while praying to be discharged without issuance of any adverse directions against them, has made the following submissions which are briefly summarized hereunder: -
- a. Name of the company has changed to Motisons Shares Limited from Motisons Shares Private Limited.
 - b. No loss has been caused to any person due to any act or omission.
 - c. There is no client complaint against Noticee with regard to the alleged violations.
 - d. The Noticee has reviewed all operations, including the process and procedures followed and wherever required, have taken remedial and corrective measures so as to ensure that alleged lapses, if any, do not recur.
 - e. Although, the pre enquiry SCN and supplementary SCN was issued by the DA which had alleged 12 violations, the DA has considered the submissions made by the Noticee and dropped 2 charges pertaining to networth certification and noticee being engaged as a principal in a business other than that of securities involving personal financial liability.
 - f. SEBI after enquiry in *Venkatesh Stock Broker Services India Private Ltd., Anand Rathi Share and Stock Brokers Limited, Eureka Stock & Share Broking Services Limited, Bonanza Portfolio Limited, Rikhav Securities Limited* disposed of the proceedings against such broker without issuing any direction against them after taking into consideration, *inter alia*. that the Adjudicating Officer has also already levied penalty for similar violations. Further, in the matter of *GRD Securities Limited* and *NNM Securities Private Limited* only regulatory censure was issued to the broker-noticee.

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- g. With respect to allegation of misuse of clients' funds (i.e. J being positive), the Noticee has submitted that:
- i) 'J' being positive in 8 out of the 20 sample instances was due to miscalculations of balances by the back office software. The technical issue has been resolved and the software is perfectly updated.
 - ii) They have adopted daily reconciliation process by which there is no instance of 'J' being positive.
 - iii) In the Supplementary SCN that was issued pursuant to Inspection 2, there were no adverse observations w.r.t the misuse of clients' funds.
- h. With respect to allegation about segregation of clients' funds and own funds and non-maintenance of daily reconciliation statement, the Noticee has submitted that:
- i) During Inspection -1, the Noticee had given an amount of Rs. 1 crore to HDFC Bank Limited in the form of FDR for intraday limit facility and was of the view that the same will not affect the enhanced supervision.
 - ii) Pursuant to the inspection the Noticee has started daily reconciliation alongwith fund flow reconciliation.
 - iii) Presently, there is proper segregation of clients's funds and own funds, and they have maintained daily reconciliation statement for transfer of brokerage, charges, etc. to their own account. Corrective steps have been taken and there is no repeat of the alleged violation.



- i. With respect to allegation of incorrect margin reporting done to the Exchange in 5 instances pertaining to 5 clients amounting to Rs.9.16 lakhs and short collection of margin the Noticee has submitted that:
 - i) It had correctly reported margin at their end as per the client's ledger.
 - ii) Noticee has reported cash and cash equivalents balance, where peak margin was wrongly calculated due to a software error, which resulted in wrong reporting of peak margin.
 - iii) Noticee has adopted daily reconciliation process and have changed their back office software due to which there are no instances of wrong reporting of margin.
 - iv) In the Supplementary SCN that was issued pursuant to Inspection 2, which was to verify compliance status of the Noticee in 4 areas, including reporting and short collection of margin, no adverse observations were made. Hence it can be concluded that corrective steps were taken and there is no repeat of the alleged violations.

- j. With respect to the allegation that in 19 instances (total of Rs.1.80 lakhs) the Noticee passed penalty to the clients on account of short / non-collection of upfront margins, the Noticee has submitted that:
 - i) The clients were regularly ignoring the surveillance call to square up their position and hence the penalty was levied.
 - ii) Post Inspection 2 i.e August 13-14, 2024, the penalty so passed to clients from August 2024 onwards has been reversed. Further, from August 2024, the Noticee is not passing the penalty to the clients on account of short / non-collection of upfront margins.



- iii) Till date, there is no client complaint w.r.t imposition of penalty.
- k. With respect to the stock reconciliation wherein it is alleged that Noticee had wrongly reported demat account wise holding on exchange portal with actual holding in demat account and that Noticee had not reconciled client securities with actual demat demat holding with the broker, the Noticee has submitted that:
- i) The alleged error was due to corporate action and other corporate benefits not transferred automatically to concerned Beneficiary Owner's accounts. Hence there was a difference in holding statements.
 - ii) Presently, on a regular basis, the Noticee reconciles client securities with client holding and there are no instances of mismatch between demat account wise holding on exchange portal and actual holding in demat account.
 - iii) Corrective steps have been taken by Noticee.
 - iv) The alleged observation is only in very few instances and even the value is very miniscule and had no material impact. There was no misuse of clients' securities in any manner whatsoever nor was there complaints from clients on the alleged violation.
- l. With respect to the allegation pertaining to verification of trade files (including net sell, pay in, pay out verification) wherein it was alleged that Noticee had not recorded trade details of BSE currency derivatives segment trades of June 14, 2021, the Noticee has stated that:



- i) SEBI has not observed this allegation in its limited purpose Inspection 2. Thus it can be concluded that corrective steps have been taken by the Noticee and there is no repeat of the alleged violation w.r.t recording of trade details.
- ii) The alleged violation is only one day i.e June 14, 2021 out of the total inspection period.
- m. With respect to the allegation on improper client order placement /recording wherein it is alleged that the Noticee had not maintained proof of order placement for 2 trades, the Noticee has stated that:
 - i) At the time of inspection, the Noticee had provided the visiting register which had the signature of the client.
 - ii) Pursuant to inspection, Noticee has maintained order book as mandated by SEBI / Exchanges.
 - iii) The said clients have not disputed the trades executed through the Noticee which shows that the trades were carried out only on the instructions received from the said clients.
 - iv) Additionally, the Noticee does not take offline orders from any client.
- n. With respect to the allegation on analysis of enhanced supervision data (weekly) wherein the Noticee had done incorrect reporting w.r.t multiple heads of weekly submission as on August 26, 2022 and that the amount of mis-statement ranged from Rs.(29.61) crore to Rs. 2.99 crore, the Noticee has stated that :



- i) On December 29, 2023, the Noticee had uploaded correct data as required under Enhanced Supervision Data, for which there is no adverse findings.
 - ii) Noticee has adopted daily reconciliation process.
 - iii) The Noticee has not mis-utilised client funds or securities.
 - iv) As per SEBI Circular No. SEBI/HO/MIRSD/MIRSD/PoD-1/P/CIR/2024/03 dated January 12, 2024 the submission of data towards monitoring of clients funds under Enhanced Supervision has been discontinued from the week ended January 12, 2024.
- o. With respect to Risk Based Supervision (RBS) wherein it has been alleged that differences were observed in collateral of debit balance clients, brokerage income and operating profit in data submitted for RBS, the Noticee has stated that:
- i) The difference in brokerage income was due to typographical mistake.
 - ii) The difference in operating profit was due to submission of details based on unaudited data.
 - iii) Noticee had already taken corrective steps so that the error, if any, is not repeated.
 - iv) BSE has not drawn any adverse observation for the alleged violation.
- p. With respect to the allegation that the Noticee has not undertaken reporting / tagging of bank accounts and had incorrectly tagged 5 bank accounts, the



Noticee has stated that as on date all the bank accounts including the 5 bank accounts have been properly updated.

Halt on proceedings due to pendency of Settlement Application.

8. During the hearing, the ARs informed that the Noticee had filed a settlement application with regard to the current proceedings. Accordingly, the matter was kept in abeyance for passing of the final order in terms of Regulation 8(1) of the SEBI (Settlement Proceedings) Regulations, 2018. The Settlement Division of SEBI vide letter dated January 5, 2026 informed that the settlement application was returned to the Noticee in terms of Regulation 5(1)(a) of the Settlement Regulations which states that “*No application for settlement of any specified proceedings shall be considered, if an earlier application with regard to the same alleged default had been rejected*”.

Revival of Proceedings and Consideration of Issues.

9. In view of above communication dated January 05, 2026, the matter is now proceeded with. I have carefully considered the Report of the DA, replies and submissions of the Noticee and material available on record and note that the Noticee has deposited ‘*under protest*’ the penalty amount of Rupees 12 (Twelve) lakhs as imposed by the AO.
10. The Noticee has raised certain technical objections. One of such objections is the contention that the purpose of carrying out inspection is not punitive and not every irregularity or deficiency noticed during the course of inspection calls for initiation of penalty proceedings and has referred to certain case laws. In this regard, I note that the Hon’ble SAT in *UPSE Securities Limited* observed that for serious lapses, it would always be open to SEBI to take penal action in accordance with law. In the matter of *DSE Financial Services*, the Order of SEBI was set aside because the



violations were found to be technical in nature. Further, in *Religare Securities Limited*, the Hon'ble SAT observed as follows:

“This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent.”

11. In view of above observations of Hon'ble SAT, I find that the SCN issued to the Noticee cannot be held to be bad in law.
12. It is also noted that the DA has exonerated the Noticee in the Report with regard to the following allegations:-
 - a. Networth verification;
 - b. Member is engaged a principal in a business other than that of securities involving personal financial liability
13. It is also noted that in the Report, the DA has found the Noticee to have committed violations in respect of the following: -
 - i. Misuse of clients' funds
 - ii. Segregation of clients' funds and own funds and non-maintenance of daily reconciliation statement
 - iii. Incorrect Reporting and short collection of margin
 - iv. Member has passed penalty to clients on account of short /non-collection of upfront margins
 - v. Stock reconciliation
 - vi. Verification of trade files (including net sell, pay in, pay out verification) - BSE
 - vii. Improper client order placement / recording
 - viii. Analysis of Enhanced supervision data (weekly)- NSE
 - ix. Risk based supervision – NSE



x. Not Reporting/ tagging of Bank accounts.

14. It is admitted position that the AO has found that the Noticee violated same set of regulatory requirements on same facts and circumstances as are the subject matter in the instant proceedings for determination of penalty under section 12(3) of the SEBI Act read with Regulation 27 of the Intermediaries Regulations. SEBI has also not chosen to examine above decision of the AO under section 15I (3) of the SEBI Act. In the Report, the same officer acting as DA has made *prima facie* findings which are conclusive and final findings in his Order. In a technical sense, both proceedings are independent of each other and authority in the instant proceedings is not bound by *prima facie* findings of the DA in the Report. I am also bound to follow the procedure specified in the Intermediaries Regulations. If, on consideration of facts and circumstances and following the procedures specified in the Intermediaries Regulations, I were to defer with any *prima facie* findings which are final and conclusive findings on same facts in the AO order, it may militate against principles of consistency on decisions of the Board. And, if I mechanically accept the *prima facie* findings in the Report, it may amount to non-compliance of specified procedures and violation of principles of natural justice. A visible conflict between principle of public policy and rule of law, thus, emerges in such situations. Since the Noticee has contested the *prima facie* findings of DA and pleaded for taking lenient view on the recommendation in the Report, I proceed to examine them for the limited purpose of deciding the fairness in findings and proportionality of the recommendation.

Misuse of clients' funds

15. In the SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 various '*values*' such as '*G*', '*T*', '*J*' etc. alongwith their formula to calculate them and to detect any possible irregularity have been laid down. In the instant case, the value of '*J*' was in question. As per Clause 3 of Annexure of SEBI Circular regarding monitoring of clients' funds lying with the stock broker by the stock exchanges reads *inter alia* as follows: -



“The value of J, which is clients’ funds utilized towards margin obligations of debit balance clients and proprietary margin obligations, is calculated as under:

$$J = (C-A) - (MC + MF)$$

The value of J, if positive, indicates the extent of clients' funds utilized towards margin obligations of debit balance clients and proprietary margin obligations. This value of 'J' acts as an alert to the Stock Exchanges on the possible mis-utilisation of clients' funds towards margin obligations of debit balance clients and proprietary margin obligations.”

16. The underlying principle for the calculation of ‘J’ value is that the clients’ funds lying with the clearing corporation / clearing member (C-A) should be less than or equal to sum of credit clients’ margin obligations (MC) and free collateral deposits available with the clearing corporation / clearing member (MF). In the present matter, indubitably, the value of ‘J’ was found to be positive in 8 out of 20 sample instances. Accordingly, the Noticee had misused the credit clients’ funds towards margin obligations of debit balance clients and proprietary margin obligations and the said average misutilised amount was Rs.3.06 crore. The amount ranged from Rs.17.08 lakh to Rs.8.5 crore. Details are as follows:-

Date	J (in Rs.)
May 18, 2021	9557971.04
May 20, 2021	3235994.33
May 21, 2021	54289903.04
December 13, 2021	84982173.78
December 14, 2021	1708588.38
December 15, 2021	3054903.76
December 17, 2021	7953098.19



August 22, 2022	80152870.97
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17. The Noticee has stated that some of its clients utilised higher margin value against the creditors balance due to improper limit given by the surveillance department. Further, the alleged instances were due to miscalculations of balances by back office software. The technical issue has been resolved and the software is updated. They have adopted daily reconciliation process by which there is no instance of 'J' being positive. Further, no adverse observations were made w.r.t this allegation during the limited purpose inspection i.e. Inspection 2. In this regard, I note from the Supplementary Show Cause Notice (SSCN) dated April 9, 2025, that SEBI conducted a limited purpose inspection (*Inspection 2*) covering the period April 1, 2023 to June 30, 2024 to verify the compliance status of the Noticee w.r.t 4 areas viz (i) misuse of clients funds, (ii) reporting and short collection of margin, (iii) verification of trade files (including net sell pay in, pay out verification) and (iv) member engaged as a principal other than that of the securities involving personal financial liability. Based on the inspection and the submissions of the Noticee, there was no adverse observations w.r.t the misuse of clients' funds noticed in Inspection 2. Although this can only be taken as a mitigating factor, but the fact and magnitude of the misuse of clients funds by the Noticee during Inspection 1 cannot be totally ignored. It was found that in 8 out of the 20 sample instances 'J' has been positive and the average is Rs.3.06 crore and the range of the mis-utilisation is Rs.17.08 lakh to Rs.8.5 crore. Hence, I agree with findings of DA with regard to default of the Noticee during Inspection 1. It is pertinent to mention that subsequent correction, if any could be mitigating factor if prompt corrective actions is taken or it is a venial breach on account of lesser instances or miniscule funds involved. However, in the facts of this case it is noted that the violations were grave as observed during Inspection 1 and no leniency can be given for such grave defaults. I rely upon order



of Hon'ble SAT in the matter of *Samco Securities Ltd.* (Appeal No. 493 of 2021 decided on March 30, 2022), in this regard, wherein it was held that mis-utilisation of client's funds is a grave issue and not in the interest of the securities market.

Segregation of clients' funds and own funds and non-maintenance of daily reconciliation statement

18. As per Clause 2.4.2 of Annexure of SEBI Circular SEBI/HO/MIRSD /MIRSD2/CIR/P/2016/95 dated September 26, 2016, for transfer of funds between client account and proprietary account, stock broker is required to maintain daily reconciliation statement clearly indicating the amount of funds transferred. In the Report, it has been observed that the Noticee has transferred funds amounting to Rs.72.47 crores from Own bank account to the Settlement bank account and funds amounting to Rs.102.02 crores from Settlement bank account to Own bank account. Net an amount of Rs.29.56 crores was transferred from Settlement Bank account to Own bank account of the Noticee for below mentioned purposes :-

Particulars	Amount (in Rs crores)
Brokerage	5.47
Income from Depository Services	0.19
Other charges recovered from clients/exchange	0.01
Dividend Income	0.07
Profit From Currency F&O A/c	0.68
Profit From F&O - Pro A/C	6.31
Profit from Intraday Trading	1.96
FD for BG Apr to Aug.22	4.50
Interest income on Fixed deposits with bank	1.36
Recovery of bad Debts (Kewal chand jain)	7.85
Total	28.40



19. The Noticee had not maintained a daily reconciliation statement for transfer of brokerage, charges etc. to its own account and had not maintained proper segregation between client and own funds. It is admitted position that during the inspection period, the Noticee was not maintaining the daily reconciliation, as the Noticee has stated that pursuant to the inspection they have started daily reconciliation alongwith fund flow reconciliation. Hence, the Noticee has admitted to this allegation. Hence, I agree with the findings of the DA.

Reporting and short collection of Margin

20. Clause 4.1.2, 4.1.5 of SEBI Circular CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019 read with Clause 2 of SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2020/146 dated July 31, 2020 and Clause 2 of SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2020/146 dated July 31, 2020 requires the trading members to collect margins from their clients and they are also required to report to the exchanges the actual short collection / non collection of all margins from clients.

21. As per the Report, the Noticee had done incorrect margin reporting to the exchange in 5 instances pertaining to 5 clients amounting to Rs.9.16 lakhs i.e 3 instances of Peak margin amounting to Rs 2.05 lacs and 2 instances of EoD margin amounting to Rs. 7.11Lacs. The details are as follows: -

Trade date	Client code	Shortfall peak
21-May-21	Hxx88	(12,445.09)
15-Apr-21	Hxx86	(82,376.35)
26-May-21	Wxxx71	(12,445.09)

Trade date	Client code	Shortfall EoD
20-Jul-22	MYxx06	(1,700.00)
28-Jul-22	Hxx10	(7,08,915.03)

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22. The Noticee has submitted that they had correctly reported margin at their end as per the client's ledger. They had reported cash and cash equivalents balance where peak margin was wrongly calculated due to a software error, which resulted in wrong reporting of peak margin. They have adopted daily reconciliation process and have changed the back office software due to which there are no instances of wrong reporting of margin. The Noticee during the current proceedings has stated that there was no adverse observations w.r.t this allegation during the limited purpose inspection i.e. Inspection 2. I, however, note that this violation was not alleged in the SSCN. Further, the violation as observed during Inspection 1 stands established as the Noticee has failed to show its *bona fide* and compliance as alleged in the Report.

Member has passed penalty to clients on account of short / non-collection of upfront margins.

23. Clause A (5) of Schedule II of Regulation 9(f) of SEBI (Stock Broker) Regulations, 1992 read with Clause 15 to Annexure A of NSE circular NSE/INSP/45191 dated July 31, 2020, NSE/ INSP/49929 dated October 12, 2021 and NSE/INSP/ 53525 dated September 02, 2022, states, *inter alia*, that the trading members are not permitted to pass on the penalty on account of 'short / non-collection of upfront margin' to the clients under any circumstances.
24. Further, Clause A (5) of Schedule II r/w Regulation 9(f) of the SEBI (Stock Brokers) Regulations, 1992 which deals with the conditions of registration requires the broker to abide by all the provisions of the SEBI Act, rules regulations issued by the Government, SEBI and the stock exchange from time to time as may be applicable to them.
25. As per the Report, during the Inspection 1 (i. e. April 1, 2021 to August 31, 2022), the Noticee has passed a total penalty amounting to Rs.1.80 lakhs to clients for short/non-collection of upfront margins in case of 19 instances i.e. 6 instances in CM and 13 instances in the FO, details of which are as follows: -



Date	Client code	Penalty (in Rs.)
30-Jun-21	Axxx3	1,837
27-Sep-21	Gxxx6	1,058
28-May-21	Hxxx3	4,085
08-Apr-21	Hxx8	3,825
15-Jul-21	Jxx9	6,279
12-Aug-21	Wxxx8	4,556
	Total	21,639

Date	Client code	Penalty (in Rs.)
26-Apr-21	Mxxx22	17,083.33
26-Apr-21	Mxxx23	16,750.87
04-May-21	Gxxx8	4,686.94
27-Aug-21	Jxx9	7,359.59
16-Sep-21	Mxx1	9,227.45
27-Oct-21	Hxx3	12,852.56
23-Nov-21	Hxx08	14,837.44
21-Dec-21	Vxx1	9,121.44
03-Mar-22	Mxxx20	5,077.67
07-Mar-22	Mxxx34	9,074.28
30-Mar-22	Jxx6	35,513.28
16-Jun-22	Mxxx19	10,915.02
23-Aug-22	Wxxx3	6,288.09
	Total	1,58,787.96

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26. It is further noted that in Inspection 2 it was again observed that the Noticee had passed on short margin penalty to 13 clients out of 50 sample clients (>25% of sample clients) for short / non-collection of upfront margins. The Noticee has submitted that the clients were regularly ignoring surveillance call to square up their position and hence penalty was levied. Post Inspection 2, the penalty so passed to clients from August 2024 onwards has been reversed and the Noticee is not passing the penalty to the clients on account of short/ non -collection of upfront margins. Further, there is no client complaint w.r.t imposition of penalty. In this regard, I note that the Noticee has not denied this allegation. It has admitted that it was passing the penalty for short / non-collection of upfront margins during both the inspections. Hence, I consider this as serious default. It is only from August 2024 i.e. post Inspection 2 (i.e conducted on 13-14 August, 2024) the Noticee has stated that it has reversed the penalty passed to the clients. However, the allegation against the Noticee is w.r.t instances of passing penalties to clients on account of short /non collection of upfront margins in the year 2021 and 2022. Hence, I agree with the findings of the DA in this regard also.

Stock Reconciliation

27. The Noticee had wrongly reported demat account wise holding on Exchange Portal with actual holding in demat account. Also, it had not reconciled client securities with actual demat holding with it. Clause 2.3 of SEBI Circular No. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 requires that the records should be periodically reconciled with the actual collateral deposited with the broker. As per the Report, during the verification of securities reported to Exchange as on August 31, 2022, SEBI *inter alia* observed that the Noticee had wrongly reported demat account wise holding on Exchange portal with actual holding in demat account on following 5 instances:

DMAT ACCOUNT NO.	ISIN	AS PER HOLDING UPLOADED	AS PER DP
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,120xx000xxxxx08x	INE869Y20010	0	90
,120xx000xxxxx08x	INE405E01023	0	64
,120xx000xxxxx24x	INE852S01026	0	530
"INxx0xx61xxx90xx"	IN8028B01036	1000	0
"INxx0xx61xxx90xx"	INE528G01027	412	0

28. The Noticee has admitted that the alleged error was due to corporate action and other corporate benefits not transferred automatically to concerned Beneficiary Owner's accounts and hence there was a difference in holding statements. Corrective steps have been taken by the Noticee and these are very few instances and even the value is very miniscule and had no material impact. There has been no misuse of clients securities in any manner nor was there any complaints from the clients on the alleged violation. Presently, on a regular basis, the Noticee reconciles client securities with client holding and there are no instances of mismatch between demat account wise holding on exchange portal and actual holding in demat account. I find that the Noticee has not denied but rather admitted to this allegation, and hence, I agree with the findings of the DA, in this regard also.

Verification of Trade Files (including Net Sell Pay In, Pay Out Verification)

29. Regulation 17 of SEBI (Stock Brokers) Regulations, 1992 states the following :-

“ ...

17. (1) Every Stock Broker shall keep and maintain the following books of account, records and documents, namely:—

(a) Register of transactions (Sauda Book);

(b) Clients ledger;

(c) General ledger;

(d) Journals;

(e) Cash book;

(f) Bank pass book;

⁴⁸[(g) Documents register containing, inter alia, particulars of securities received and delivered in physical form and the statement of account and other records relating to receipt and delivery of securities provided by the depository participants in respect of dematerialized securities;]

(h) Member's contract books showing details of all contracts entered into by him with other members of

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*the same exchange or counterfoils or duplicates of memos of confirmation issued to such other members;
(i) Counterfoils or duplicates of contract notes issued to clients; . . .”*

30. The Report has observed that the Noticee had not recorded trades details of BSE Currency Derivatives Segment (CDS) trades on June 14, 2021, details of which are as follows:-

TRADE DATE	PRODUCT TYPE	ASSETCD	BUYSELL	TRADE TIME	CLIENTCODE	TRADEID
2021-06-14	FUTCUR	USDINR	S	09:00:10.015299	M1xx6	17xx0
2021-06-14	FUTCUR	USDINR	S	09:00:10.363768	M1xx6	17xx0
2021-06-14	FUTCUR	USDINR	S	09:00:10.736450	M1xx6	17xx0
2021-06-14	FUTCUR	USDINR	S	09:00:10.902800	M1xx6	17xx0
2021-06-14	FUTCUR	USDINR	S	09:00:12.142430	M1xx6	20xx0
2021-06-14	FUTCUR	USDINR	S	09:00:12.595913	M1xx6	20xx0
2021-06-14	FUTCUR	USDINR	B	09:01:58.081288	M1xx6	24xx00

31. The Noticee has submitted that the alleged violation is only on one day out of the total inspection period. Further, the violation was not observed in the Inspection 2 despite being part of terms of reference and hence it can be concluded that corrective steps have been taken by the Noticee and there is no repeat of the alleged violation w.r.t recording of trade details. Considering that the alleged violation was not observed in the Inspection 2, the same may only be considered as a mitigating factor, but the fact is that the violation was observed during Inspection 1 and I, therefore, agree with the findings of the DA.

Client Order Placement / recording

32. Clause III of SEBI circular no. SEBI/HO/MIRSD/DoP1/CIR/2018/54 dated March 22, 2018 requires that the brokers shall execute trades of clients only after keeping evidence of the client placing such order such as physical record written and signed by client, telephone recording, email from authorized email ID, log for internet



transactions, record of messages through mobile phones, any other legally verifiable record.

33. The Report states that for 2 orders belonging to one client code Mxx74 the broker could only provide the signature on visiting register, no signed order sheet was provided for orders placed. The Noticee has submitted that pursuant to inspection the notice has maintained the order book as mandated. The client has not disputed the trade executed through the Noticee which shows that the trades were carried out only on the instructions received from the client. Additionally, the Noticee does not take offline orders from any client. Hence, it is noted that the Noticee vide its submissions has admitted to not maintaining signed order sheet of the client. Therefore, I do not find any reason to deviate from the findings of the DA in this regard and find that the violation stands established.

Analysis of Enhanced supervision data (Weekly)

34. Clause 3.2 of Annexure to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with NSE circular NSE/ INSP/33276 dated September 27, 2016, NSE/INSP/ 31912 dated March 07, 2016 requires, *inter alia*, that the stock broker shall submit certain data as on the last trading day of every week to the stock exchanges on or before the next trading day to enable monitoring of clients' funds lying with the stock broker by the stock exchanges. As per the Report, there was incorrect reporting w.r.t multiple heads of weekly submission as on August 26, 2022 and the amount of mis-statement ranged from Rs. (29.61 crores) to Rs.2.99 crore which is as follows :-

Sr.No	Particulars	Values as per calculation	Values as submitted by TM	Difference
A	Total of day end balance in all Client Bank Accounts (In Rs.)	88,33,744.32	88,33,744.32	-
1	Collateral deposited with exchanges in form of Cash and Cash Equivalents (In Rs.)	3,05,00,000.00	2,70,00,000.00	(35,00,000.00)
B	Collateral deposited with clearing member in form of Cash and Cash Equivalents (In Rs.)	30,93,33,960.36	33,43,33,960.36	2,50,00,000.00
E	Value of Own Securities Deposited as Collateral with Clearing Member (In Rs.)	-	2,99,51,378.20	2,99,51,378.20
F	Value of Non funded portion of the Bank Guarantee (In Rs.)	3,50,00,000.00	2,50,00,000.00	(1,00,00,000.00)
P	Proprietary margin Obligation (In Rs.)	3,43,28,512.14	4,24,53,708.90	81,25,196.76
MC	Margin utilized for positions of Credit Balance Clients (In Rs.)	9,36,02,484.17	11,43,03,661.73	2,07,01,177.56
MF	Free/unblocked Collateral deposited with Clearing corporation (In Rs.)	29,88,29,276.62	26,83,177.00	(29,61,46,099.62)

Order in respect of Motisons Shares Limited



35. The Report also states that the Noticee's submission w.r.t rebuttal regarding 'G' value being negative was out of context and was therefore not accepted by the DA. The Noticee had further submitted that on December 29, 2023 the Noticee had uploaded correct data as required under the Enhanced Supervision Data which was also considered out of context as the allegation pertains to August 26, 2022 whereas the Noticee's response pertains to data uploaded on December 29, 2023. The Noticee has additionally submitted that vide SEBI Circular No. SEBI/HO/MIRSD/MIRSD/PoD-1/P/CIR/2024/03 dated January 12, 2024 the submission of data towards monitoring of clients funds under Enhanced Supervision has been discontinued from the week ended January 12, 2024. In this regard, I have perused the circular dated January 12, 2024 and note that in light of ease of doing business, SEBI has made certain changes w.r.t the reporting requirements. Accordingly, Clause 15.5.2 of the Master Circular dated May 17, 2023 was deleted which mandated the stock brokers to upload certain data to the stock exchanges on weekly basis. However, the applicability of this circular is with effect from January 12, 2024 whereas the violation pertains to a period prior to it when weekly data had to be uploaded by the Noticee. Further, the fact still remains that the broker has to ensure correct data whether the same is to be reported or not. I, therefore, agree with the findings of the DA on this issue as well. Further, considering the magnitude of the mis-statement during the inspection from Rs. (29.61 crores) to Rs.2.99 crore, I find this default also to be a serious one.

Risk based supervision (RBS)

36. Clause 6.1.1.e of Annexure of SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016 /95 dated September 26, 2016 (read with NSE circular NSE/ INSP/28925 dated February 20, 2015 read with NSE/ INSP/50229 dated November 08, 2021) requires the brokers to submit data for the half yearly risk based supervision within the time specified by Stock Exchange. The Report has alleged that differences were observed in the following heads as on March 31, 2022:-

Order in respect of Motisons Shares Limited



a) Collateral of debit balance clients (6 clients out of 10 sample clients)

Client Code	Collaterals	Actual Value- Holdings	Difference
Mxx9	9,46,73,139.98	9,36,69,767.63	10,03,372.35
Gxx83	98,96,615.70	83,23,180.70	15,73,435.00
Gxx76	57,22,081.05	52,48,336.05	4,73,745.00
Mxx82	46,33,607.95	43,69,553.55	2,64,054.40
Mxx3	40,93,059.20	39,73,634.20	1,19,425.00
Gxx79	40,11,328.50	30,85,778.50	9,25,550.00
Total	12,30,29,832.38	11,86,70,250.63	43,59,581.75

b) Brokerage income

Particulars	As Per RBS submission	As Per Balance Sheet	Difference
Brokerage income for FY 2021-22	3,47,53,531.73	3,45,83,110.00	1,70,421.73

c) Operating profit

Particulars	As Per RBS submission	As Per Balance Sheet	Difference
Operating profit/ loss for the stock broker for FY 2021-22 (as per Annual Report figures)(in Rs.)	3,81,46,382.29	4,67,87,780.00	(86,41,397.71)



37. The Noticee has admitted that the difference in brokerage income was due to typographical mistake and the difference in operating profit was due to submission of details based on unaudited data. The Noticee has not made any submissions w.r.t the large differences in the collateral of debit balance clients. It has further submitted that it has taken corrective steps so that the error does not get repeated and BSE has not drawn any adverse observation for the violation. It is also noted that there are large differences as noted from the above tables and the Noticee has admitted to this allegation. I, therefore, agree with the finding of the DA.

Noticee has not undertaken Reporting/ tagging of Bank accounts as required

38. Clause 2.3.2 of Annexure to SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 requires the stock exchanges and /or depositories as the case maybe to ensure that all the existing bank accounts maintained by stock brokers are assigned appropriate nomenclature within six months from the date of the circular. It was observed that there was no tagging of bank accounts for the following 5 accounts:

ACCOUNT_NO	PURPOSE as per reported	PURPOSE as per Bank records
600340xxxx88	SETTLEMENT ACCOUNT	Tagging not available
40xxxx163	SETTLEMENT ACCOUNT	Exchange Dues
40xxxx073	ANY OTHER	Settlement Account
9611xxxx32	CLIENT BANK ACCOUNT	Tagging not available
1205xxxx51	ANY OTHER	Settlement Account

39. The Report states that the Noticee had *inter alia* submitted that, “... We submit that as on date all the bank accounts including the 5 mentioned are properly updated ...” Besides during the inspection, the Noticee had *inter alia* submitted to SEBI



“...We have updated the same...” Hence the bank accounts were not tagged at the relevant time. Hence, I agree with the findings of the DA on this count also.

CONCLUSION

40. The Noticee has relied upon orders of SEBI in the matter of *Venkatesh Stock Broker Services India Private Ltd., Anand Rathi Share and Stock Brokers Limited, Eureka Stock & Share Broking Services Limited, Bonanza Portfolio Limited, Rikhav Securities Limited* disposing of the proceedings against those brokers without issuing any direction against them after taking into consideration, *inter alia* that the Adjudicating Officer has also already levied penalty for similar violations. Further, in the matter of *GRD Securities Limited* and *NNM Securities Private Limited* only regulatory censure was issued to the broker. According to the Noticee similar treatment should be met for it also. In this regard, it is pertinent to mention that the stock brokers are expected to strictly comply with the provisions of the relevant laws, both in letter and in spirit as they play an important role in participation of retail and small investors in the securities market. For the reasons mentioned in the preceding paragraphs, I find that the Noticee has defaulted in respect of certain requirements and has also admitted to these violations. Although the Noticee has stated that it has taken corrective steps, it has not demonstrated these with any cogent evidence on record. It is true that Enquiry and Adjudication proceedings are separate and independent of each other. Even if penalty is imposed in adjudication proceedings, action under sub-section (3) of section 12 of the SEBI Act read with Intermediaries Regulations can also be taken if the contraventions are found to be serious.
41. I have perused the orders relied upon by the Noticee with regard to its claim that it should be exonerated on the same lines as in cases cited by it. It is to be noted that each case is peculiar in its facts and circumstances based on which the violations are to be determined and a one size fits all approach cannot be followed. Nonetheless, I have perused these orders and note that the Noticee’s case is not comparable to the facts of other cases as the number of violations and violations



themselves are not similar, the magnitude of defaults is different, the recommendations of the DA in these cases are also different.

42. In the matter of ***Shri Venkatesh Stock Broker Services Private Limited***, the violation, *inter alia*, was w.r.t broker extending loans to different entities and also networth verification. In the current matter, the Noticee has been exonerated of these charges by the AO and hence these violations. The other comparable allegation with regard to issue is misuse of client funds (i.e. G negative). I note that the amount of default in the samples provided was between Rs. 25,000 and Rs.1.14 crore and based on the facts of that case the penalty imposed by the adjudicating officer was found to be sufficient. However, in the instant matter (for J positive), the average amount is Rs.3.06 crore and range is between 17.08 lakhs to 8.5 crore. However, I note the magnitude of the misuse in the instant case is high in comparison and default during relevant period cannot be overlooked being serious in nature. Further number of contraventions in this case are multirole and no allowance can be given for acts in isolation.
43. In the matter of ***Anand Rathi Share and Stock Brokers Limited***, w.r.t the misuse of clients' funds (G being negative) it was noted, *inter alia*, that the broker had a free fixed deposit of Rs.50 crore available with it and there was no instance of utilization of the funds for other purposes such as for settlement obligations of debit balance clients or for the stock brokers' own purposes. This fact mitigated the default. Further, the scale of the other defaults was also not large to warrant multiple actions which was also evident from the recommendation of the DA of regulatory censure against the broker.
44. In the matter of ***Eureka Stock & Share Broking Services Limited***, the only violation observed against the broker was w.r.t mis-utilisation of clients's funds (J being positive). The DA had also recommended that the matter may be disposed of without any adverse actions under the Intermediaries Regulations as AO had already imposed a penalty for the same violation, the violation was observed in



only one month whereas the inspection period was over one year and NSE confirmed to the broker that the wrong file (MG01) was considered instead of correct file (MG01_02) which is required to be referred to while determining the value of free collateral specifically “balance available”, which lead to wrong calculation of J at the first instance which was also accepted by SEBI. Further, the proprietary surplus maintained by the broker far exceeded the mandated proprietary margin obligations to meet shortfall. The facts of the instant case are materially different from the facts of this case as noted hereinabove.

45. In the matter of **Rikhav Securities Ltd.** I note that the WTM has reasoned at Para 117 that “*In the present matter, the DA in its report has also stated that the Noticee has taken remedial and corrective steps after inspection and the alleged lapses or deficiencies as observed during the said inspection have been cured. While some violations have been established, most of these violations are technical in nature and not of such grave nature that would warrant enforcement action over and above the monetary penalty already paid by the Noticee. Further, there is no allegation of loss being caused to any person due to Noticee’s acts and omission. Further, there is no allegation of misutilization of funds or securities against the Noticee or a finding that the Noticee made any unlawful gains or derived any unfair advantage....*”. In light of the facts of the case, the WTM did not agree with the issuance of regulatory censure recommended by the DA and hence exonerated the broker. However, it is noted that the violations in both the cases are not comparable. For e.g. there are serious violations including misuse of clients’ funds, passing of penalty to the clients which was not the charge in the case referred by the Noticee. Further, in the instant case, the DA has not noted that remedial steps have been undertaken by the Noticee and neither has the Noticee during the current proceedings demonstrated with any cogent proof of having rectified these deficiencies.

46. In the matter of **GRD Securities Ltd.** the only violation which is common with the case of the Noticee is regarding the reporting and short collection of margin.



Besides the DA in her report had also found that the broker in GRD case had taken corrective steps to ensure that in future, such lapses do not reoccur and agreeing with the DA's recommendation, a regulatory censure was imposed on the broker. In the instant case, such claim has been rejected being unexplained. Hence no comparison can be drawn as contended.

47. In the matter of *NNM Securities Private Ltd.*, the DA has noted violations w.r.t misuse of clients funds, incorrect reporting of enhanced supervision data and non verification of pro MTM loss. The competent authority based on the facts of that case noted that as NSE has already imposed monetary penalty and monetary penalty was imposed by AO considered them as mitigating factors and issued a regulatory censure to the broker as against prohibiting the broker from taken new clients for a period of one month. In this case, the whole facts and circumstances have to be considered in totality and not in isolation as sought to be contended. There are several serious violations found in this case. While recommending the action, the DA in report has considered all mitigating factors, if any as claimed and has recommended a lighter action. Hence, I do not agree with claim of the Noticee.

48. In this regard, it is also pertinent to note that in the matter of *Evermore Share Broking Pvt. Ltd.* WTM, SEBI held that various violations were recorded against the broker including violations w.r.t misuse of client funds (including J being positive on one day Rs.9.92 lakhs), incorrect reporting of peak margin, discrepancies in reporting of enhanced supervision data on weekly basis which are comparable to the violations in the present case as well. The WTM observed that although the broker had violated majority of the provisions as alleged in the SCN, the DA considering that the broker had been penalized in another proceeding for same violations recommended that the matter against the broker may not be proceeded with. The WTM, however, was of the view that the violations w.r.t misuse of client funds, client fund and cyber security were not mere technical violations but grave in nature. Accordingly, the broker was not only issued a



regulatory censure but was also prohibited from on boarding new clients for a period of six months.

49. The matter of *Bonanza Portfolio Ltd.* pertains to the violations of the SEBI (Research Analysts) Regulations, 2014 and not comparable with this case at all. Such reliance of the Noticee is totally misconceived.

50. Taking the above into consideration, I am of the view that action is to be in proportion to the gravity of the violation. For technical/procedural violations of minor nature, which did not assume serious nature and got corrected, the fact that penalty has already been imposed in the adjudication proceedings may be taken as mitigating factor. However, even after considering this mitigating factor, it is seen that there are certain violations which cannot be considered as mere technical violations of minor nature. Further, the magnitude of these violations are such that they cannot be ignored. I also note that the Noticee has passed penalty to the clients in both the inspections, the misuse of client funds (J being positive), non segregation of client funds and own funds, mis-statements w.r.t weekly enhanced supervision data and half yearly risk based supervision stand established and are grave violations.

51. A lenient view cannot be taken in case of serious and repetitive violations. The same view is also held by the Hon'ble SAT in its order dated June 16, 2011 in the matter of Religare Securities Ltd. which has also been relied by the Noticee, wherein it was held that “...*This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent...*”.

Consideration of Recommendation

52. It is noted that the choice in list provided in Regulation 26 of the Intermediaries Regulations has to be applied keeping in mind the text and context both and not as



a tick box approach. The recommendation of the DA is to prohibit the Noticee “from taking up any new assignment or contract or launching a new scheme in so far as may be applicable to the Noticee as a SEBI registered stock broker for a period of 15 days”. To my mind, such recommendation of prohibiting from launching any scheme is futile as it does not apply to a stock broker who does not launch schemes like pooled investment vehicles. I, therefore, do not agree with such recommendation. In my view, the action in proportion to contraventions in this case should be germane to activity of Noticee as stock broker in this case. I am of the view, that the prohibition from soliciting or accepting any new client for a period of one month from the date of receipt of this Order is commensurate with contraventions as found in this case.

Order.

53. In view of the aforesaid observations and findings, I, in exercise of the powers conferred upon me under Section 12(3) read with Section 19 of the SEBI Act and Regulation 27 of the Intermediaries Regulations, hereby order that that the Noticee Motisons Shares Limited (SEBI Registration No.: INZ000191336) shall not solicit or act as a stock broker for any new client for a period of one month from the date of receipt of this Order.
54. This Order shall come into force with immediate effect.
55. A copy of this Order shall be served upon the Noticee and all the recognized stock exchanges to ensure compliance.

Date: February 23, 2026

Place: Mumbai

**SANTOSH SHUKLA
QUASI JUDICIAL AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA**

Order in respect of Motisons Shares Limited